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UNCLAS SECTION 01 OF 02 ZAGREB 000717

SIPDIS

H FOR MARK SMITH PASS TO CODEL BEAN
EUR/SCE FOR HOH, BALIAN

SIPDIS

E.O. 12958: N/A

TAGS: OREP PREL PGOV HR

SUBJECT: CODEL BEAN Visits Croatia

¶1. Summary: CODEL Bean visited Zagreb on 22-23 July and met with Croatian business, government, and parliamentary leaders. Discussion at most meetings focused on Croatia's leadership and stabilizing role in the region, Kosovo, future membership in NATO and the EU, its international contributions to peace-keeping, and the improving Croatian economic and investment climate. End Summary.

Parliament Considers Croatia's Role Outside Its Borders

¶2. The CODEL met with parliamentary representatives from several major political parties and committees. Representatives included Gordan Jandrokovic (HDZ), Chair of the Foreign Affairs Committee, Nikola Ivanis (PGS), Deputy Committee Chair, Tonino Picula (SDP) and Marin Jurjevic (SDP), committee members, and Milorad Pupovac (SDSS), Chair of the Committee on Inter-Parliamentary Cooperation.

¶3. Regional Relations: When asked about Croatia serving as a role model in the region, Jandrokovic pointed out that although some war wounds still need to heal, Croatia has relatively quickly crossed the path from war-time intolerance to a tolerant democratic society.

A good deal of war-related issues have already been resolved, he observed, and Croatia is prepared to contribute to the resolution of outstanding regional issues including the status of Kosovo and a new constitution in BiH. Pupovac noted that Croatia continues to cooperate with its neighbors and will share its progress with them. It's time for the region to turn to the present, discard prior policies that resulted in war crimes, ethnic cleansing and political isolation, and proceed with war crimes prosecution and regional cooperation, he stated. Ivanis told the CODEL that Croatia-Serbia relations and their lasting "harmonization" are the most important regional issue. Although the radicals won a plurality in Serbia, maintaining good relations are important, he remarked.

¶4. Kosovo: Jandrokovic admitted that Kosovo remains the most difficult regional question. International consensus is important, he reaffirmed, noting that Croatia will follow the lead of the international community. Picula, former Minister of Foreign Affairs, told the CODEL that the entire region is concerned with security, cooperation and solidarity and that once the status of Kosovo is resolved, all ethnic communities will be agreed on future political goals for the region. Pupovac, who is serving as an OSCE envoy to Kosovo, stated his hope that Kosovo be organized as a multiethnic society, with equal opportunities for Albanians, Serbs and others. He noted that his work with Kosovo Serbs is difficult and risky, but that he has the support of President Mesic, PM Sanader, and U.S. representatives in Zagreb. Pupovac cautioned against unilateral recognition, stating that there are not sufficient mechanisms to respond to an unstable situation. Both Croatia and Serbia, he believes, represent stability in the region. We should "build" rather than "proclaim" status, at which point the transition will be easier to manage. Finally, referring to Serbs' heritage and tradition there, Pupovac said that it is important to give Serbia the feeling that if it loses Kosovo, Kosovo won't be

lost for the Serbs.

15. International Involvement: Looking ahead to parliamentary elections, Jandrovkovic assured the delegation that whichever party wins the tight race, the main foreign policy goals would not change. Like other participant countries, Croatia is struggling with public support of its troops in Afghanistan. Nevertheless, the Government is aware it needs to take part in global processes and help bring stability to the world's hot spots. Referring to UN peacekeepers who oversaw the peaceful reintegration of Croatia in the 90s, he reaffirmed, "If we want to be an equal partner, we need to give, not only receive."

Foreign Minister Reaffirms Policy Priorities

16. In a prior meeting, Minister of Foreign Affairs and European Integration Kolinda Grabar-Kitarovic presented Croatia's three major foreign policy priorities - accession to the European Union and NATO, cooperation in the region, and Croatia's position in the international community and organizations.

17. The minister briefed the delegation about the pace and current state of EU membership negotiations and the development of relations with NATO. She discussed Croatia's active participation in UN bodies and peacekeeping missions, as well as the presence of Croatian forces in Afghanistan. Speaking about regional issues, Grabar-Kitarovic noted that Croatia wanted to be helpful in finding a sustainable solution in Kosovo. Settlement of the issue should ensure the stability of the entire region, she said. The minister informed the delegation about the recent establishment of the Regional Cooperation Council and the future role of the South East European Cooperation Process. Referring to border disputes with Slovenia, she said that any outstanding issues should be settled bilaterally and by fully respecting international law.

Business, Economy Performing Well

18. In a breakfast session with CODEL, State Secretary and Assistant Minister of Finance, Ante Zigman, 3M Country Manager Tomislav Slat and FedEx Regional Manager/AMCHAM Croatia president Josip Krznaric briefed the CODEL on the state of the economy and business conditions. All local representatives agreed that the economy was performing well, and that the GOC had initiated some positive programs - specifically Hitro, the one-stop shop for business formation. Zigman asserted that the permitting process for greenfield investment has been reduced to less than two years, and in response to CODEL's question, reaffirmed that Americans (and other foreign investors) can buy property in Croatia. Chamber President Krznaric noted that although Croatia is not one of the top U.S. export markets (currently ranked 116th), U.S. companies are present and active in the market. There is little manufacturing investment from the U.S., as Croatia missed the initial wave of U.S. investment in Central Europe in the 90s due to the war, but there has been a recent increase in activity. Slat commented that Croatia's improved infrastructure should help the country to serve as a regional distribution hub. The group agreed that NATO membership and EU accession are independent validations of Croatia's progress to date.

19. CODEL did not have the opportunity to clear this cable.
BRADTKE